

Obey Amendment  
**Restoring Cuts in Child Health Care Coverage  
Under Medicaid and SCHIP**

The Problem

- At the same time that high unemployment is causing many Americans to lose their job-related health coverage, the state fiscal crisis is leading states to cut back health coverage through Medicaid, SCHIP (the State Child Health Insurance Program) and various state-financed programs.
- According to surveys by the Kaiser Commission on Medicaid and the Uninsured, 49 of the 50 states had implemented – or were planning to implement – cutbacks in Medicaid during fiscal year 2003. These included reductions in eligibility (27 states), reductions in benefits (25 states), more stringent cost controls on prescription drug coverage (45 states), increased beneficiary co-payments (17 states), and reductions or freezes in provider payments (37 states).
- In March, the Center on Budget and Policy Priorities reported that budget reductions adopted or proposed in 22 states would lead to the elimination of health coverage for 1.7 million people, if all the proposals were adopted. Since that time, some of the proposals have been adopted, others have been modified or rejected, and additional cutbacks have been proposed as states continue to struggle with large budget deficits.
- These cuts involve all categories of beneficiaries – parents, disabled people, people who qualify for Medicaid because of high medical costs, and so on. A number of the cuts involve children.
- As part of the recently enacted tax bill, Congress did provide some relief to states, including a temporary increase in the federal matching rate for Medicaid. That measure, however, did very little to require states to restore benefits. The only condition placed on the higher federal Medicaid match was that states not further restrict eligibility after September 2, 2003. In other words, to qualify for the additional federal assistance, states do not need to put anyone back on the Medicaid rolls and they have until this coming September to enact further eligibility cutbacks. They just have to stop reducing eligibility after September 2 – at least until the temporary higher matching rate expires in June 2004.

## The Proposal

- The Obey amendment provides some additional federal assistance to state Medicaid programs – a further one percentage point increase in the federal matching rate during fiscal year 2004. (With the tax bill's increase in place, the matching rate now ranges from about 53 percent to about 80 percent, and averages about 60 percent). The Obey amendment's additional assistance would amount to a bit less than \$3 billion during FY 2004.
- However, in order to receive this additional aid, the amendment requires states to refrain from any further cutbacks in eligibility for children – under both the Medicaid and SCHIP programs – and to restore eligibility for children to the rules that prevailed on July 1, 2001. Thus, the higher matching rate would be available to states that have not reduced eligibility for children during the past two years, and to states that did reduce eligibility but that restore the cuts.
- It is certainly hoped that the state fiscal assistance enacted last month – plus the additional help proposed by this amendment – would make it possible for states to restore coverage to all categories of beneficiaries who have lost eligibility as a result of the fiscal crisis. However, the amendment insists that states do this at least for children as a condition of the further aid.
- The cost of the amendment would be offset by a modest reduction in the benefits that the highest-income taxpayers receive under the 2003 tax bill – specifically, the tax cuts would be reduced by 18 percent for taxpayers with incomes above \$1 million. This group receives tax cuts averaging \$88,000 under the legislation enacted last month; the Obey amendment would reduce their average tax cut to \$72,000. No one with income below \$1 million per year would have their tax cut changed in any way by the amendment.